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Dairy and Products

Annual

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Report Highlights:

Total fluid milk production for calendar year is expected to be about 8.13 million metric tonnes (MMT), up slightly from calendar year 2001 production of 8.10 MMT. For 2003, post forecasts that fluid milk production will increase slightly over 2002 levels. Total cheese production for 2002 decreased by about two percent to 315,000 metric tonnes (MT). Total cheese production for 2003 is forecast to drop to 310,000 MT. Butter production for 2002 is expected to reach 90,000 MT. For 2003, butter production is forecast to decrease. Nonfat dry milk production for 2002 is expected to 100,000 MT.

For 2003, nonfat dry milk production is forecast to decrease to 90,000 MT.

Includes PSD changes: Yes

Includes Trade Matrix: No

Annual Report

Ottawa [CA1], CA

TABLE OF CONTENTS

Production	Page 2 of 8
Consumption	Page 2 of 8
Trade	Page 3 of 8
Policy Development and Industry News	Page 3 of 8
Statistical Tables	Page 4 of 8
Table 1: Fluid Milk PS&D	Page 4 of 8
Table 2: Cheese PS&D	Page 5 of 8
Table 3: Butter PS&D	Page 6 of 8
Table 4: Skim Milk Powder (Nonfat Dry Milk) PS&D	Page 7 of 8
Find Us on the World Wide Web	Page 8 of 8
Related FAS/Ottawa Reports	Page 8 of 8

Production

Production of fluid milk is based on Statistics Canada's volume of milk and cream sold off farms. Based on the six months of available data for 2002, total fluid milk production for calendar year is expected to be about 8.13 million metric tonnes (MMT), up slightly from calendar year 2001 production of 8.10 MMT. For 2003, post forecasts that fluid milk production will increase slightly over 2002 levels.

Total cheese production for 2002 decreased by about two percent to 315,000 metric tonnes (MT). Production of variety cheeses (63% of total cheese production) is expected to decrease by about two percent from 2001 levels to 197,000 MT, while cheddar cheese production (37% of total cheese), decreased by about four percent from 2001 levels to 117,000 MT. Total cheese production for 2003 is forecast to drop to 310,000 MT.

Butter production for 2002 is expected to increase nearly ten percent over 2001 levels, reaching 90,000 MT. Reduced imports of butter offset the increase in production, but higher beginning stocks led to increased total supplies. For 2003, butter production is forecast to decrease due to expected higher carry-in stocks.

Nonfat dry milk production for 2002 is expected to increase 11% over 2001 levels to 100,000 metric tonnes. The increase in production will be offset by increased exports, according to the first seven months of export data available for the 2002 calendar year. For 2003, nonfat dry milk production is forecast to decrease to 90,000 MT.

Consumption

According to Statistics Canada data, in 2001, Canadian per-capita milk consumption totaled 87 liters of milk, down slightly from 2000, and eight percent less than a decade ago. Canadians have reduced their consumption of higher fat milk by more than one-third during the past 30 years and by just over 25% during the past decade. Varieties such as "1%" and skim milk have continued to grab higher market shares during this period and in 2001 accounted for almost 30% of total milk sales compared to just three percent three decades ago.

In contrast to the trend to low-fat milk, Canadians have increasingly been using more cream in recent years. In 2001, per-capita cream consumption reached 7 liters, up 2 liters per person from a decade ago. This growth is in line with the increasing consumption of coffee especially from food service establishments in recent years. Butter consumption, with per-capita consumption over the last ten years at less than three kilograms has increased slightly to 2.7 kilograms per person.

Per-capita cheese consumption in 2001 was almost 12 kilograms, slightly up from the 1990s trend level of 11 kilograms per person. Per-capita consumption of variety cheeses in 2001 topped six kilograms for the sixth consecutive year. Strong demand for prepared foods, convenient shredded cheeses

including those blended products used in Italian and Mexican dishes as well as promotional advertising campaigns are factors influencing consumption patterns.

While not covered in this report, Statistics Canada data indicate that ice cream consumption, which reached its lowest level in four decades in 2000, increased in 2001 to over nine litres per person, an increase of seven percent from year-ago levels. Yogurt has become increasingly popular throughout the last decade due in part to the development of tastier and innovative new products. In 2001, Canadians consumed just under five litres of yogurt per person, a 63% increase from a decade ago.

Trade

The U.S. continues to be the largest market for Canadian fluid milk exports. Based on seven months of trade data from Statistics Canada for 2002, 81% of Canadian fluid milk exports went to the U.S. This is down from 2001 when 87% of Canadian fluid milk exports went to the U.S.

In 2001, 57% of Canadian cheese imports were from the European Union. The U.S. was the second highest supplier of cheese to Canada, accounting for 21% of Canadian cheese imports. In 2002, 53% of Canadian cheese imports were from the European Union. The U.S. continues to be Canada's second highest supplier of cheese, accounting for 19%, a slight decrease from 2001. In 2002, based on the seven months of trade data from Statistics Canada, the U.S. was the top market for exports of Canadian cheese, absorbing 34% of total cheese exports. Saudi Arabia was the second largest market for exports of Canadian cheese, accounting for 15% of exports. The European Union was Canada's third largest market for cheese, representing 14% of total Canadian cheese exports. Japan was Canada's fourth largest market, importing nearly 12% of Canadian cheese.

New Zealand continues for the fourth year in a row, to be the single largest butter exporting country to Canada. In 2001, New Zealand butter accounted for 76% of total Canadian butter imports. Based on the available trade data for 2002, New Zealand will supply 53% of Canadian butter imports, with Uruguay supplying almost 13%. The European Union will supply about six percent of Canadian butter imports. The U.S. in 2001 was a relatively small supplier of butter to Canada, at just 381 metric tonnes. For 2002, the U.S. is expected to export just 370 metric tonnes to Canada.

For non-fat dry milk (skim milk powder), New Zealand displaced the U.S. as the number one supplier to Canada, accounting for 35% of Canada's total imports in 2001 versus 24% for the U.S. In 2002, New Zealand is expected to supply 62% of Canada's total imports of non-fat dry milk, while the U.S. share of Canadian imports is expected to increase to 37%.

Policy Development and Industry News

A table at the end of the report lists all reports regarding developments in dairy policy and the dairy industry since the 2002 Dairy Semi-Annual Report.

Statistical Tables

Table 1: Fluid Milk PS&D

PSD Table						
Country	Canada					
Commodity	Dairy, Milk, Fluid				(1000 HEAD)(1000 MT)	
	Revised	2001	Prelimin.	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Cows In Milk	1136	1091	1130	1084	0	1080
Cows Milk Production	8106	8106	8130	8130	0	8170
Other Milk Production	0	0	0	0	0	0
TOTAL Production	8106	8106	8130	8130	0	8170
Intra EC Imports	0	0	0	1	0	1
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	1	0	1
TOTAL SUPPLY	8106	8106	8130	8131	0	8171
Intra EC Exports	0	0	0	0	0	0
Other Exports	10	7	10	5	0	5
TOTAL Exports	10	7	10	5	0	5
Fluid Use Dom. Consum.	2909	2909	2900	2850	0	2850
Factory Use Consum.	4747	4869	4780	4876	0	4900
Feed Use Dom. Consum.	440	321	440	400	0	416
TOTAL Dom. Consumption	8096	8099	8120	8126	0	8166
TOTAL DISTRIBUTION	8106	8106	8130	8131	0	8171
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	10	6	0	4	0	4

Table 2: Cheese PS&D

PSD Table						
Country	Canada					
Commodity	Dairy, Cheese				(1000 MT)	
	Revised	2001	Prelimin.	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Beginning Stocks	53	46	48	50	45	44
Production	322	322	320	315	0	310
Intra EC Imports	0	15	0	14	0	15
Other Imports	27	12	25	12	0	15
TOTAL Imports	27	27	25	26	0	30
TOTAL SUPPLY	402	395	393	391	45	384
Intra EC Exports	0	5	0	2	0	0
Other Exports	19	14	15	10	0	10
TOTAL Exports	19	19	15	12	0	10
Human Dom. Consumption	335	326	333	335	0	330
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	335	326	333	335	0	330
TOTAL Use	354	345	348	347	0	340
Ending Stocks	48	50	45	44	0	44
TOTAL DISTRIBUTION	402	395	393	391	0	384
Calendar Yr. Imp. from U.S.	6	6	6	6	0	7
Calendar Yr. Exp. to U.S.	5	5	5	4	0	5

Table 3: Butter PS&D

PSD Table						
Country	Canada					
Commodity	Dairy, Butter				(1000 MT)	
	Revised	2001	Prelimin.	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Beginning Stocks	15	15	23	20	20	22
Production	82	82	85	90	0	85
Intra EC Imports	0	2	0	1	0	1
Other Imports	26	24	20	17	0	19
TOTAL Imports	26	26	20	18	0	20
TOTAL SUPPLY	123	123	128	128	20	127
Intra EC Exports	0	0	0	0	0	0
Other Exports	16	16	22	21	0	20
TOTAL Exports	16	16	22	21	0	20
Domestic Consumption	84	87	86	85	0	85
TOTAL Use	100	103	108	106	0	105
Ending Stocks	23	20	20	22	0	22
TOTAL DISTRIBUTION	123	123	128	128	0	127
Calendar Yr. Imp. from U.S.	0	0	0	1	0	1
Calendar Yr. Exp. to U.S.	15	15	10	20	0	19

Table 4: Skim Milk Powder (Nonfat Dry Milk) PS&D

PSD Table						
Country	Canada					
Commodity	Dairy, Milk, Nonfat Dry				(1000 MT)	
	Revised	2001	Prelimin.	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Beginning Stocks	17	17	19	19	18	17
Production	90	90	90	100	0	90
Intra EC Imports	0	0	0	0	0	0
Other Imports	3	3	2	1	0	3
TOTAL Imports	3	3	2	1	0	3
TOTAL SUPPLY	110	110	111	120	18	110
Intra EC Exports	0	0	0	0	0	0
Other Exports	46	46	50	60	0	50
TOTAL Exports	46	46	50	60	0	50
Human Dom. Consumption	42	42	40	40	0	40
Other Use, Losses	3	3	3	3	0	3
Total Dom. Consumption	45	45	43	43	0	43
TOTAL Use	91	91	93	103	0	93
Ending Stocks	19	19	18	17	0	17
TOTAL DISTRIBUTION	110	110	111	120	0	110
Calendar Yr. Imp. from U.S.	1	1	0	0	0	0
Calendar Yr. Exp. to U.S.	6	5	0	7	0	5

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Related FAS/Ottawa Reports:

Report Number	Title of Report	Date
CA2123	Dairy Farmers Propose Fluid Milk Price Increase	10/22/2002
CA2120	Ex-Dairy Farmers of Canada President to Chair Dairy Commission	10/10/2002
CA2117	Canada Appeals WTO Dairy Ruling	10/03/2002
CA2117	Ontario Court Dismisses Canadian Restaurant and Foodservice Association Case Against Dairy System	10/03/2002
CA2113	Canada Still Holds Trade Surplus with U.S., Ag Exports Increase	09/20/2002
CA2111	Southern Ontario Dairy Farmers to Supply Michigan Processor	9/12/2002
CA2111	Former Ag Minister Warns Against End to Supply Management	9/12/2002
CA2108	Livestock Annual	

CA2107	Ottawa Urged to Open Agricultural Markets, Says Leaked Federal Cabinet Memo	9/05/2002
CA2105	Canada's Dairy Policy Costs Consumers C\$2.5 Billion per Year, Says UBC Professor	8/30/2002
CA2102	Dairy Farmers of Canada Calls on Federal Government to Defend Supply Management	8/22/2002
CA2087	Dairy and Products Semi-Annual Report	7/19/2002

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